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ATLANTIC ACCEPTANCE CORPORATION LIMITED
in Receivership

MONTREAL TRUST COMPANY,
Receiver and Manager

FINANCIAL STATEMENTS
DECEMBER 31, 1975

PRICE WATERHOUSE & Co.



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(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1975

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April 1, 1976

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1975, the Statement of Deficit as at June 17, 1965, the date when the Company went into receivership, as adjusted to December 31, 1975, the Statement of Deficit for the period from June 18, 1965 to December 31, 1975 while the operations of the Company were under the control of the Receiver and Manager, and the Statement of Loss for the year ended December 31, 1975. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values.

As explained in Note 3, the debenture held by Lucayan Beach Hotel and Development Limited is in default and the amount to be realized therefrom is estimated to be \$2,844,800 (U.S. \$2,800,000). Accordingly, the carrying value of the Company's aggregate investment in Lucayan, both direct and indirect, has been reduced to this amount. However, until the shares which form the security under the debenture are sold and the selling price and related selling expenses determined, the amount to be realized from this investment cannot be finally determined.

In view of the uncertainty as to the realization of the Company's investment in Lucayan Beach Hotel and Development Limited and its materiality to the Company's financial position, we are unable to express an opinion on the Statement of Deficiency in Net Assets as a whole.

However, in our opinion, the assets, except for the investment in Lucayan referred to above, and the liabilities are fairly presented in the Statement of Deficiency in Net Assets as at December 31, 1975, and the changes in the deficit accounts and the loss for the year then ended are fairly presented in the Statement of Deficit as at June 17, 1965, as adjusted to December 31, 1975, the Statement of Deficit for the period from June 18, 1965 to December 31, 1975 and the Statement of Loss for the year ended December 31, 1975.

Price Waterhouse & Co.

Chartered Accountants

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS

	<u>Year ended December 31</u>	
	<u>1975</u>	<u>1974</u>
Assets under the control of the Receiver and Manager:		
Cash (Note 2)	\$ 484,252	\$ 113,646
Short-term investments maturing within one year, at cost plus accrued interest (including \$623,135 (U.S. \$613,322) in 1975 and \$6,814,686 (U.S. \$6,879,352) in 1974 payable in United States dollars)-		
Deposit receipts of Canadian chartered banks	1,214,392	9,022,944
Guaranteed investment certificates of Canadian trust companies	396,974	59,668
Province of Alberta treasury bills	49,120	-
Hydro-Electric Commission notes, guaranteed by the Province of Ontario	-	1,203,616
	<u>1,660,486</u>	<u>10,286,228</u>
Estimated realizable value of advances to subsidiary and former subsidiary companies (Note 3)	<u>3,289,488</u>	<u>8,140,609</u>
	5,434,226	18,540,483
Deduct: Accounts payable and accrued liabilities (Note 2)	<u>669,497</u>	<u>158,555</u>
Estimated realizable value of net assets under the control of the Receiver and Manager	4,764,729	18,381,928
Deduct: Accrued interest and redemption premium payable on senior debt (Note 4)	<u>40,312,440</u>	<u>46,327,450</u>
Deficiency in net assets	<u><u>\$35,547,711</u></u>	<u><u>\$27,945,522</u></u>
Represented by:		
Capital stock	\$14,455,087	\$14,455,087
Deficit-		
As at June 17, 1965 as adjusted to end of year	36,754,641	30,732,015
For the period from June 18, 1965 to end of year	<u>13,248,157</u>	<u>11,668,594</u>
	50,002,798	42,400,609
	<u><u>\$35,547,711</u></u>	<u><u>\$27,945,522</u></u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965

THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,

AS ADJUSTED TO DECEMBER 31, 1975

	<u>Year ended December 31</u>	
	<u>1975</u>	<u>1974</u>
Balance at June 17, 1965 as adjusted to beginning of year	\$30,732,015	\$30,898,819
Add (deduct):		
Adjustment during the year relating to assets and liabilities at June 17, 1965 representing an excess of the estimated realizable value of advances to subsidiary and former subsidiary companies at the beginning of the year over the amounts received or estimated to be received, including in 1975 \$4,951,267 relating to direct investment in Lucayan and \$873,577 relating to advances to Commodore Sales Acceptance (Note 3)	5,824,794	(260,229)
Eighth interim award of compensation to the Receiver and Manager (Note 6)	-	45,000
Legal expenses of the Receivership	<u>197,832</u>	<u>48,425</u>
Deficit at June 17, 1965 as adjusted to end of year	<u>\$36,754,641</u>	<u>\$30,732,015</u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1975

WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE

CONTROL OF THE RECEIVER AND MANAGER

	<u>Year ended December 31</u>	
	<u>1975</u>	<u>1974</u>
Deficit from June 18, 1965 to beginning of year:		
As previously reported	\$11,341,420	\$11,323,218
Add: Adjustment in respect of interest to December 31, 1974 not previously accrued on premium and accrued interest on senior debt (Note 4)	<u>327,174</u>	<u>238,252</u>
As restated	11,668,594	11,561,470
Add: Loss for the year	<u>1,579,563</u>	<u>107,124</u>
Deficit at end of year	<u>\$13,248,157</u>	<u>\$11,668,594</u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS

	Year ended December 31	
	<u>1975</u>	<u>1974</u>
Operating income:		
Interest on short-term investments	\$ 600,397	\$1,048,144
Interest on advances to Lucayan Beach Hotel and Development Limited (Note 3)	<u>446,544</u>	<u>305,039</u>
	1,046,941	1,353,183
Operating expenses:		
Provision for interest on advances to Lucayan Beach Hotel and Development Limited (Note 3)	446,544	-
General, administrative and other expenses	44,413	35,677
Foreign exchange adjustment	<u>523,859</u>	<u>(123,760)</u>
	<u>1,014,816</u>	<u>88,083</u>
Excess of operating income over operating expenses before interest on notes	32,125	1,441,266
Interest on notes	<u>1,597,995</u>	<u>1,551,264</u>
	(1,565,870)	(109,998)
Interest charged on advances to wholly- owned subsidiary companies	620,541	1,339,250
Less: Provision for the net loss of these companies for the year	<u>634,234</u>	<u>1,336,376</u>
	<u>(13,693)</u>	<u>2,874</u>
Loss for the year	<u><u>\$1,579,563</u></u>	<u><u>\$ 107,124</u></u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1975

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets and the business and assets of its wholly-owned subsidiaries are being liquidated. As a consequence the assets in the financial statements are stated at estimated realizable values.

In the attached statements, all balances are stated in Canadian dollars with translations from United States dollars into Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$98.42) as at December 31, 1975.

The comparative amounts for 1974 have been restated to reflect the adjustment referred to in Note 4.

2. Cash:

Cash includes \$459,612 (1974 - \$81,845) in respect of claims arising from distributions made to noteholders and creditors on October 15, 1971 and September 2, 1975 which have not yet been presented for payment. The offsetting liability is included in accounts payable and accrued liabilities.

3. Advances to subsidiary and former subsidiary companies:

The following amounts are estimated to be recoverable arising out of advances to subsidiary and former subsidiary companies:

	<u>1975</u>	<u>1974</u>
Subsidiary companies-		
Adelaide Acceptance Limited	\$ 10,683	\$ 10,683
Lucayan Beach Hotel and Development Limited	2,844,800	6,371,140
Commodore Factors Limited	-	(50)
The Premier Finance Corporation Limited - In Receivership	(50)	(50)
Former subsidiary company-		
Commodore Sales Acceptance Limited	<u>434,055</u>	<u>1,758,886</u>
	<u>\$3,289,488</u>	<u>\$8,140,609</u>

Changes in the investment in Lucayan Beach Hotel and Development Limited ("Lucayan") during the year were as follows:

	<u>1975</u>	<u>1974</u>
Balance at beginning of year	\$6,371,140	\$5,484,865
Add (deduct):		
Advances (U.S. \$1,302,636 in 1975 and U. S. \$599,692 in 1974)	1,325,636	589,464
Accrued interest (U. S. \$439,039 in 1975 and U.S. \$311,900 in 1974)	446,544	305,039
Foreign exchange adjustment	<u>99,291</u>	<u>(8,228)</u>
	8,242,611	6,371,140
Deduct: Provision to reduce balance to estimated net realizable value	<u>5,397,811</u>	<u>-</u>
Balance at end of year	<u>\$2,844,800</u>	<u>\$6,371,140</u>

Lucayan's accounts at December 31, 1975 include an account receivable of \$12,239,656 (U.S. \$12,046,906) from Lucayan Holdings Limited, before a provision of \$9,394,856 (U.S. \$9,246,906) for loss on realization, which arose upon the sale in 1969 by Lucayan of all its properties and its interest in subsidiary companies. As security for the receivable, Lucayan received a 9% debenture having a first fixed and floating charge on the properties both present and future of Lucayan Holdings and its subsidiaries, including the properties purchased from Lucayan.

Amounts owing under the debenture have been in arrears since July 1973. In January 1975 Lucayan took steps to enforce the security of the debenture by appointing Montreal Trust Company (Bahamas) Limited as receiver and manager of Lucayan Holdings and its subsidiaries. The receiver and manager operated the hotel complex until August 31, 1975 when it was decided to close the hotel, the major part of the complex, because of its continuing operating losses. During 1975 an additional U. S. \$1,292,564 was advanced to the receiver and manager to meet current operating obligations of the hotel complex.

On December 31, 1975, the assets of Lucayan Holdings, except for certain minor chattels and supplies, were transferred to Panceltic Limited, a company incorporated under the laws of The Commonwealth of the Bahamas, the beneficial ownership of which is vested in Montreal Trust Company (Bahamas) Limited. The shares of Panceltic, which now form the security under the debenture, have been listed for sale and it is the Receiver and Manager's opinion they will realize U.S. \$2,800,000 net of selling expenses.

Accordingly, a provision of \$5,397,811 has been made in 1975 (of which \$446,544 is charged to the Statement of Loss and the remaining \$4,951,267 to the Statement of Deficit as at June 17, 1965) to reflect the decrease in the estimated net realizable value of the investment in and advances to Lucayan.

The Receiver and Manager also controls indirectly other securities of Lucayan through Commodore Sales Acceptance. Since these securities rank in priority for repayment behind those held by Atlantic, they have been written off in 1975 in the Statement of Deficit as at June 17, 1965.

The underlying assets supporting the advances to Adelaide Acceptance and Commodore Sales Acceptance consist mainly of cash and short-term investments, primarily in the hands of trustees of bankrupt estates.

4. Accrued interest and redemption premium payable on senior debt:

The holders of senior notes were paid the principal amount of their notes in 1971.

On September 2, 1975, pursuant to an order of the Supreme Court of Ontario, the Receiver and Manager made an initial distribution of \$8,336,348 in respect of interest and premium accrued as of that date. As at December 31, 1975 the portion (\$385,159) of this amount for which claims have not been submitted is included in accounts payable and accrued liabilities.

As a result of the Court Order referred to above, certain changes have been made in the method of calculating accrued interest. These changes resulted in an increase of \$327,174 in the accrued interest and premium as at December 31, 1974, of which \$238,252 has been charged to the Statement of Deficit for the period from June 18, 1965 to December 31, 1974 and \$88,922 has been charged to the 1974 Statement of Loss.

The accrued interest and redemption premium payable at December 31, 1975 and 1974 in respect of the various classes of the senior notes is set out below:

	<u>1975</u>	<u>1974</u>
Accrued interest on short and medium-term notes:		
Bank advances, secured by short-term notes-		
Payable in Canadian dollars	\$ 738,950	\$ 890,301
Payable in United States dollars	<u>1,490,677</u>	<u>1,751,096</u>
	2,229,627	2,641,397
Short-term notes-		
Payable in Canadian dollars	9,066,063	10,922,967
Payable in United States dollars	<u>4,463,553</u>	<u>5,243,332</u>
	13,529,616	16,166,299
Medium-term notes-		
Payable in Canadian dollars-		
5%	28,584	34,438
5 3/8%	41,547	50,056
5 7/8%	217,427	261,960
Payable in United States dollars-		
5%	558,644	656,238
5 1/4%	<u>587,303</u>	<u>689,904</u>
	<u>1,433,505</u>	<u>1,692,596</u>
Carried forward	17,192,748	20,500,292

Brought forward	\$17,192,748	\$20,500,292
Accrued interest and redemption premium on long-term notes:		
Accrued interest-		
Payable in Canadian dollars-		
Series B 6 1/2%	532,490	599,153
Series C 5 3/4%	284,030	323,285
Series D 5 3/4%	189,353	215,523
Series E 6 1/4%	213,412	241,725
Series F 6 1/4%	53,353	60,431
Series G 6 1/4%	53,353	60,431
Series H 6%	341,353	387,544
Series I 6%	609,559	692,043
Series O 6 1/8%	875,330	987,318
	<u>3,152,233</u>	<u>3,567,453</u>
Payable in United States dollars-		
Series A 6 1/2%	2,164,036	2,374,086
Series J 6%	1,182,349	1,302,854
Series K 6%	788,233	868,569
Series L 6%	1,368,863	1,508,267
Series M 6%	1,374,229	1,513,788
Series N 5 3/4%	3,976,761	4,392,919
Series P 6%	844,142	929,568
Series Q 5%	4,847,457	5,337,833
Series R 5 7/8%	3,016,779	3,326,205
	<u>22,715,082</u>	<u>25,121,542</u>
Redemption premium	<u>1,704,610</u>	<u>2,005,616</u>
	<u>24,419,692</u>	<u>27,127,158</u>
	41,612,440	47,627,450
Deduct: Payment made in 1971 in respect of the Compromise or Arrangement approved by the Supreme Court of Ontario on September 28, 1971	<u>1,300,000</u>	<u>1,300,000</u>
	<u>\$40,312,440</u>	<u>\$46,327,450</u>

5. Capital taxes:

The Company has been assessed capital taxes by the Province of Ontario for the years 1961 to 1964 and 1966 to 1970 in the amount of approximately \$180,000, which exceeds income taxes recoverable in respect of the years 1961 through 1965 by approximately \$32,000. On February 19, 1973 the Company appealed the assessments to the Supreme Court of Ontario and the appeal is still outstanding. No provision has been made at December 31, 1975 for these additional taxes.

6. Compensation of the Receiver and Manager:

To December 31, 1975 the Court has approved the payment of eight interim awards of compensation aggregating \$3,614,709 to the Receiver and Manager covering services rendered to September 30, 1974. No provision has been made for any further compensation to the Receiver and Manager.

April 1, 1976

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1975, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1975, while the operations of the Company were under the control of the Receiver and Manager, and a Statement of Loss for the year ended December 31, 1975. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in the note to the Statement of Deficiency in Net Assets, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and have been liquidated in partial satisfaction of this charge.

In our opinion this financial statement presents fairly the Deficiency in Net Assets of the Company as at December 31, 1975 and the changes in the deficit accounts and the loss for the year then ended.

Price Waterhouse & Co.

Chartered Accountants

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1975

Advances from Atlantic Acceptance Corporation Limited		\$3,352,683
Other accounts payable and accrued liabilities		<u>10,630</u>
Deficiency in net assets		<u><u>\$3,363,313</u></u>
Represented by:		
Capital stock		\$ 185,618
Deficit-		
As at June 17, 1965, as adjusted to December 31, 1975 (no change during the year)	\$1,567,187	
For the period from June 18, 1965 to December 31, 1975 while the operations of the Company were under the control of the Receiver and Manager:		
Balance as at December 31, 1974	\$1,771,235	
Loss for the year ended December 31, 1975, represented by interest on advances from the parent company (\$210,459) and capital tax (\$50)	<u>210,509</u>	
Balance as at December 31, 1975	<u>1,981,744</u>	
		<u>(3,548,931)</u>
		<u><u>\$3,363,313</u></u>

Note:

Atlantic Acceptance Corporation Limited has been in Receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance have been liquidated in partial satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 28, 1965 under an order issued by the Supreme Court of Ontario.

April 1, 1976

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1975, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1975 while the operations of the Company were under the control of the Receiver and Manager of the parent company, and the Statement of Loss for the year ended December 31, 1975. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the Company's major asset is stated in the Balance Sheet at estimated realizable value.

The estimated realizable value of the note receivable has been determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivable, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comment in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the Company as at December 31, 1975 and the changes in the deficit accounts and the loss for the year then ended.

Price Waterhouse & Co.

Chartered Accountants

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1975

ASSETS

Cash	\$ 733
Note receivable, at estimated realizable value (Note 2)	<u>10,000</u>
	<u>\$ 10,733</u>

LIABILITIES AND CAPITAL DEFICIENCY

Accrued liability	\$ 50
Advances from Atlantic Acceptance Corporation Limited (Note 1)	<u>6,536,618</u>
	6,536,668

Capital deficiency:

Capital stock-

Authorized-

20,500 7% cumulative redeemable
preference shares with a par
value of \$10 each

25,000 common shares of no par
value

Issued and fully paid-

17,000 preference shares

\$ 170,000

10,103 common shares

10,103

180,103

Deficit-

As at June 17, 1965, the date when the
parent company went into receivership,
as adjusted to December 31, 1975 (no
change during the year) \$3,378,644

For the period from June 18, 1965

to December 31, 1975 while the
operations of the Company were
under the control of the

Receiver and Manager of the
parent company:

Balance as at

December 31, 1974 \$2,903,619

Loss for the year ended

December 31, 1975 423,775

Balance as at


December 31, 1975 3,327,394


6,706,038

(6,525,935)

\$ 10,733

APPROVED BY THE BOARD:

 Director

 Director

ADELAIDE ACCEPTANCE LIMITED
STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1975

Expenses:	
Loss in foreign exchange	\$ 13,647
Capital tax	<u>50</u>
Expenses before interest charges	13,697
Interest on advances from parent company	<u>410,078</u>
Loss for the year	<u><u>\$423,775</u></u>

ADELAIDE ACCEPTANCE LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1975

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The major asset of Adelaide Acceptance, which is stated in the Balance Sheet at estimated realizable value, is being liquidated in satisfaction of this charge.

In the attached statements, all balances are stated in Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$98.42) as at December 31, 1975.

2. Note receivable:

The Company's debtor is in bankruptcy and every effort is being made to collect the outstanding account as quickly as practicable in the circumstances.

The realizable value of the receivable has been estimated after making an allowance for any loss which may be sustained on realization of the account. This allowance may be greater or less than the amount which might ultimately be required to provide for any loss on realization.

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

L. CROPPER
T. GORMAN
E. C. GRINDROD
R. O. MOYLE
T. M. CATES
J. L. WARRY

P.O. BOX F-2415
LUCAYAN BUILDING
THE MALL
FREEPORT · BAHAMAS
CABLES: PRICEWATER FREEPORTBAHAMAS
TELEPHONE (809) 332-7801
TELEX FPO46

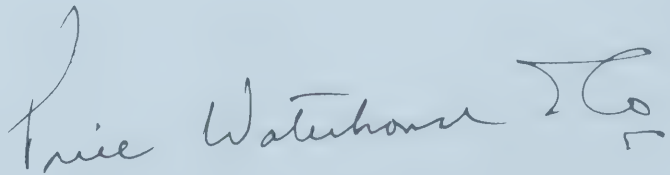
THE DIRECTORS AND SHAREHOLDERS
LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

We have examined the accompanying financial statements of Lucayan Beach Hotel and Development Limited on pages 2 to 6 for the year ended December 31, 1975. We have maintained the accounting records of the Company for the year under review. We have also carried out such verification procedures and examined such other supporting evidence as we considered necessary in the circumstances.

As explained in Note 2, the 9% debenture held by the Company is in default and a Receiver and Manager was appointed for Lucayan Holdings Limited and its subsidiaries on January 15, 1975; although provision has been made for the possible estimated losses upon realization of the assets, the final amount which will be ultimately realized is subject to uncertainty. The creation of such a provision has resulted in a substantial deficit of the shareholders' equity of the Company.

As explained in Note 4, the shareholders' equity of the Company reflects a reorganization in 1965 based on values on certain fixed assets which we were unable to verify.

In view of the matters referred to in the two preceding paragraphs and their materiality to the Company's financial position and the results of its operations and the changes in its financial position we are unable to express an opinion on the financial statements at December 31, 1975.



29th January, 1976
Freeport, Bahamas.

Chartered Accountants

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

BALANCE SHEET
(Stated in United States dollars)

	<u>ASSETS</u>	<u>December 31,</u>	
		<u>1975</u>	<u>1974</u>
CURRENT ASSETS			
Cash		\$ 3,191	\$ 2,243
Account receivable (Note 2)		12,046,906	9,786,722
Less: Provision for loss on realisation		<u>9,246,906</u>	<u>865,521</u>
		2,800,000	8,921,201
		\$ 2,803,191	\$ 8,923,444

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES			
Accounts payable		\$ 402,374	\$ 397,615
LOAN AND ADVANCES (Note 3)		<u>7,087,682</u>	<u>5,235,948</u>
SHAREHOLDERS' EQUITY (Note 4)			
Share capital - authorised, issued and fully paid 10,000,000 shares of B\$0.72 each		7,056,000	7,056,000
Deficit		<u>(11,742,865)</u>	<u>(3,766,119)</u>
		(4,686,865)	3,289,881


 } DIRECTORS

\$ 2,803,191 \$ 8,923,444

The notes on pages 5 and 6 are an integral part of these financial statements.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

STATEMENT OF INCOME AND DEFICIT
(Stated in United States dollars)

	<u>Year ended December 31,</u>	
	<u>1975</u>	<u>1974</u>
Interest income	\$ 967,620	\$ 865,521
Less: Interest expense	<u>549,098</u>	<u>412,875</u>
	<u>418,522</u>	<u>452,646</u>
Administrative and general expenses	13,883	19,029
Provision for doubtful debts (Note 2)	<u>8,381,385</u>	<u>865,521</u>
	<u>8,395,268</u>	<u>884,550</u>
NET DEFICIT FOR THE YEAR	(7,976,746)	(431,904)
DEFICIT AT BEGINNING OF YEAR	<u>(3,766,119)</u>	<u>(3,334,215)</u>
DEFICIT AT END OF YEAR	<u><u>\$(11,742,865)</u></u>	<u><u>\$(3,766,119)</u></u>
NET DEFICIT PER SHARE	<u><u>\$(1.17)</u></u>	<u><u>\$(0.38)</u></u>

The notes on pages 5 and 6 are an integral part of these financial statements.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION
(Stated in United States dollars)

	<u>Year ended December 31,</u>	
	<u>1975</u>	<u>1974</u>
Funds provided by:		
Atlantic Acceptance Corporation		
Limited, additional advances (Note 3)	\$1,302,636	\$599,692
Increase in accounts payable	<u>4,759</u>	<u>-</u>
	<u>1,307,395</u>	<u>599,692</u>
Funds used for:		
Cash used by operations		
Administrative and general expenses	13,883	19,029
Lucayan Holdings Limited		
additional advances (Note 2)	<u>1,292,564</u>	<u>583,558</u>
	<u>1,306,447</u>	<u>602,587</u>
Increase (decrease) in cash	<u>\$ 948</u>	<u>\$ (2,895)</u>

The notes on pages 5 and 6 are an integral part of these financial statements.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1975

NOTE 1 - GENERAL

The Company is incorporated under the laws of the Commonwealth of the Bahama Islands and until September 30, 1969 owned the Lucayan Beach Hotel and ancilliary facilities in Freeport, Grand Bahama Island. Effective October 1, 1969 the Company sold to Lucayan Holdings Limited all of its assets and its interest in its subsidiary companies for a gross consideration of \$12,600,000, \$9,000,000 of which was secured by a 9% debenture payable over 15 years to 1984, a portion of which is still outstanding as described in Note 2 below. This debenture constituted a first fixed and floating charge on the properties, both present and future, of Lucayan Holdings Limited and its subsidiaries, including the property purchased from the Company.

NOTE 2 - ACCOUNT RECEIVABLE

December 31,	
<u>1975</u>	<u>1974</u>
\$12,046,906	\$9,786,722

The account receivable relates to the debenture referred to in Note 1 and consists of the unpaid portion of the debenture principal, additional advances made in 1974 and 1975, and accrued interest on arrears of principal and on advances.

Repayments of debenture principal ceased in June 1973 and payments on account of interest ceased in December 1973, placing Lucayan Holdings Limited and its subsidiaries in default under the terms of the debenture. In January 1975 the Company took steps to enforce the security of the debenture by appointing Montreal Trust Company (Bahamas) Limited as receiver and manager of Lucayan Holdings and its subsidiaries. The receiver and manager, who has power of resale over the hotel and its ancillary facilities, operated the hotel complex until August 31, 1975 when it was decided to close the hotel, the major part of the complex, because of its continuing operating losses. During 1975 an additional U.S.\$1,292,564 was advanced to the receiver and manager to meet current operating obligations of the hotel complex.

On December 31, 1975 the assets of Lucayan Holdings, except for certain minor chattels and supplies, were transferred to Panceltic Limited, a company incorporated under the laws of the Commonwealth of the Bahamas, the beneficial ownership of which is vested in Montreal Trust Company (Bahamas) Limited. The shares of Panceltic, which now forms the security under the debenture, have been listed for sale and it is the receiver and manager's opinion that they will realize \$2,800,000 net of selling expenses. Accordingly a provision of \$8,381,385 has been made to reduce the account receivable to its estimated realizable value.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1975

(CONTINUED)

NOTE 3 - LOAN AND ADVANCES

The Company had outstanding the following loan and advances, including interest, due to the Receiver and Manager of Atlantic Acceptance Corporation Limited:

	<u>December 31,</u>	
	<u>1975</u>	<u>1974</u>
Balance of original loan, secured by a debenture with a floating charge on the assets of the Company, repayable on demand, bearing interest at 9% per annum	\$4,223,381	\$4,223,381
Additional advances during - 1974	599,692	599,692
- 1975	1,302,636	-
Interest charges on original loan and on additional advances at 9% per annum	<u>961,973</u>	<u>412,875</u>
	<u>\$7,087,682</u>	<u>\$5,235,948</u>

NOTE 4 - SHAREHOLDERS' EQUITY

As indicated in Note 1 the Company sold its assets, including property, plant and equipment, effective October 1, 1969. In connection with the property, plant and equipment, the Company had, in previous years,

- (i) not maintained detailed fixed asset registers,
- (ii) valued certain land without independent appraisal,
- (iii) apparently acquired certain fixed assets in 1965 on a non-arms-length basis,
- (iv) difficulty in determining the carrying costs of individual assets or their existence as it related to retirements, replacements and obsolescence.

The reserve arising on the valuation of the land and other capital reserves were used in 1965 to reorganize the share capital of the Company and to write off initial operating losses.

